## Mass layoffs at UPS, Lockheed Martin

## US loses 85,000 jobs in December

Tom Eley 9 January 2010

The US economy lost 85,000 jobs in December, the Labor Department reported Friday, the same day new major layoffs were announced by UPS and Lockheed Martin.

The ongoing destruction of jobs in what the Obama administration has touted as an economic "recovery," is indicative of a social disaster affecting ever wider layers of the population. Friday's report comes on top of a whole battery of recent reports showing the widespread growth of hunger, homelessness, and poverty.

The complacent talk of economic recovery and the promotion by the Obama administration of the supposed success of its policies reveal both its callous indifference to the social crisis and a deliberate policy of maintaining a high level of unemployment to weaken the resistance of the working class to attacks on its wages, working conditions and standard of living.

The December jobs report closed out an abysmal year for US workers. Job losses in 2009 totaled more than 4.2 million, and the average official unemployment rate was 9.3 percent, up from 5.8 percent in 2008—an increase of more than 60 percent. More than 15.3 million American workers are now officially unemployed, 3.9 million more than when the year began. Since December 2007, upwards of 8 million jobs have been lost.

Over the decade, the US lost 1.6 million private sector jobs and added only 400,000 jobs overall—even as the population grew by almost 10 percent—the first time since the Great Depression that the economy actually shed jobs over a ten-year period, according to Floyd Norris of the *New York Times*. To have kept pace with population growth, the economy would have had to generate between 12,000,000 and 15,000,000 jobs since 2000.

The official jobless rate remained at 10 percent in December, but the broader "U-6" measure of unemployment, which takes into account those who have fallen out of the workforce or are employed part-time involuntarily, increased to 17.3 percent, or more than one in six US workers, close to the record high reached in October.

The percentage of the jobless without work for six months or longer, 39.8 percent, set a new high mark in records dating back to 1948. In all, 661,000 workers fell out of the US labor force in December, the largest decline in nearly 60 years, and the labor

market participation rate fell to a 25-year low of 64.6 percent from 64.9 percent in November. Had these workers been counted, the official unemployment rate would have increased to 10.4 percent. For 2009 as a whole, the US workforce shrank by 1.5 million workers, the first annual decline since 1951.

The Labor Department revised its November jobs report upwards from a loss of 11,000 to a net gain of 4,000 jobs. But this was more than offset by a 16,000-job downward revision for October, raising job losses in that month to 111,000.

More major job cuts were announced on Friday. The defense contractor Lockheed Martin said it would cut another 1,200 jobs and United Parcel Service (UPS), the world's largest parcel delivery firm, said it would cut 1,800 management positions.

UPS reported higher-than-predicted profits along with its latest job cuts announcement. Its stock rose rapidly in response, with Standard & Poor's upgrading UPS shares from "hold" to "buy" and the *Wall Street Journal* calling them "hot." UPS had already eliminated 15,000 jobs in 2009 and ceased contributions to its employees' 401(k) retirement accounts.

Wall Street shrugged off the worse-than-expected jobs report, the Dow Jones Industrial Average closing the day slightly higher after falling in the morning.

The coupling of increased share prices with layoffs, jobs cuts and pay and benefit freezes has become commonplace in recent months. "While companies typically defend such moves as necessary to prepare for more challenging business conditions in the future, the layoffs they carry out often serve to grow profits for shareholders," the Economic Policy Institute (EPI) pointed out Tuesday, listing a number of major corporations that have reaped hefty profits while paring down their workforces.

Yet the negative jobs report, in conjunction with bleak data from the housing market in recent days, has raised fears among economists that the US is heading for a "double dip" recession, in which an apparently recovering economy slips back into contraction.

The sectors of the economy experiencing the most job losses cast

further doubt on the touted "recovery." Job losses continued to mount in construction, which is closely tied to the housing and commercial real estate markets, and in manufacturing, which would appear to belie claims of a "bounce" in that sector. And the retail sector declined in December by 10,000 jobs, in spite of better-than-predicted consumer spending.

The government sector also lost jobs. This points once again to the inadequate character of the Obama administration's stimulus package, the American Recovery and Reinvestment Act (ARRA), funds from which have been used to help plug holes in state budgets. Given the dire budgetary situation confronting state and local governments, it is likely that government jobs will be shed at a far higher rate in the coming months—more still after the impact of the stimulus begins to wane in the summer.

Temporary jobs grew for the fifth consecutive month, the economy adding 47,000 short-term positions in all. Some commentators view this as an indication that employers may be preparing to hire full-time workers, a scenario dependent upon continued improvement in business conditions.

The average work week remained at the near historic low of 33 hours. The work week must expand markedly before any sustained improvement in labor market conditions, analysts say. "Firms have plenty of scope to expand hours before adding new workers," commented Sal Guatieri, an economist with BMO Financial Group.

Among demographic groups, blacks saw a sharp increase in unemployment to 16.2 percent from 15.6 percent in November and 12.1 percent one year ago. The teenage unemployment rate rose to 27.1 percent in December from 26.8 in November and 20.8 in 2008. Among black teenagers the unemployment rate was at 48.4 percent. When taken together with their labor market participation rate of just 27.5 percent, this means that only 14.2 percent of black teens have jobs.

The US December jobs report was mirrored by worse-thanexpected data from Europe, also released Friday. The Eurozone saw the official unemployment rate rise to over 10 percent for the first time since the introduction of the common currency in 2002, according to Eurostat.

In France, unemployment increased to 10 percent, in Italy it held steady at 8.3 percent, in Germany it was 7.6 percent. In Spain, the fourth largest Eurozone economy, the unemployment rate was 19.4 percent, behind Latvia (22.3 percent) for the worst mark in Europe. Among Spanish workers under the age of 25, the unemployment rate stood at a staggering 43.8 percent.

The Obama administration met the latest US jobs report with scarcely concealed indifference. President Obama counseled that "the road to recovery is never straight" but that the economy "is still pointing in the right direction," as he announced a measure that would hand over \$2.3 billion in tax credits to manufacturers to put in place "green technologies." These would fund 180 projects

and would create a grand total of 17,000 jobs, according to the administration.

Christina Romer, Obama's chair of the Council of Economic Advisers, called the December job losses a "slight setback" when "compared with the unexpectedly good report for November." Romer added that the report "underscores the need for responsible actions to jump-start private-sector job creation." Romer's references to "responsible actions" and "private-sector job creation" serve notice that the administration is not contemplating any new government stimulus or public works program.

All indications are that for America's workers, 2010 will be even worse than 2009.

The Labor Department report confirmed the consensus view that the official unemployment rate in 2010 will remain close to, or above, 10 percent. Even should job growth occur, it would have the effect of driving up the official unemployment rate by drawing back into the hunt for jobs, and thus into the official workforce, "discouraged workers" who had given up looking.

To reverse the unemployment rate, economic growth would have to be more rapid than the 4 percent gross domestic product increase predicted by many economists for the fourth quarter of 2009, and the economy would have to add well over the 100,000 to 150,000 new jobs monthly necessary to keep pace with population growth.

It is an article of faith among economists that any sustained recovery will require a steady increase in consumer spending. Yet stagnating wages—the average hourly wage increased by three cents in December—are offset by increases in the cost of living.

The American Automobile Association (AAA) reported the average price for a gallon of gasoline in the US hit \$2.70 on Thursday, the highest price in 15 months. Stressed consumers sharply cut back their debt in November, according to a Friday report from the Federal Reserve. Seasonally adjusted consumer debt declined by 8.5 percent, \$17.49 billion in all, with most of the drop-off coming in credit card debt. Economists polled by *MarketWatch* had expected a decline of \$3.9 billion.

The December jobs report comes on the heels of recent data showing a sudden contraction in pending home sales, an increase in foreclosures, and a sharp increase in personal bankruptcies.



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